

Lease ID:
Project: Randol Mill

FILED
TARRANT COUNTY TEXAS

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

CORRECTED OIL AND GAS LEASE
(No Surface Use; Paid Up Lease)

This CORRECTED OIL AND GAS LEASE (NO SURFACE USE; PAID UP LEASE) (this "Lease") is made on 21 day of February 2011 by and between Lance E. Davis and Crystal R. Davis, Husband and Wife (hereafter called "Lessor"), whose address is 2309 Oakwood Ln., Arlington, TX 76012, and CHESAPEAKE EXPLORATION, LLC, an Oklahoma Limited Liability Company, whose address is (hereafter called "Lessee"), whose address is P.O. Box 18496, Oklahoma City, Oklahoma, 73154 and is filed to correct the OIL AND GAS LEASE (NO SURFACE USE; PAID UP LEASE) recorded by Memorandum in Intrument No.D208441871 of the Official Public Records of Tarrant County, Texas to which Lessee is successor-in-interest.

Grant. In consideration of a cash bonus in hand paid, Lessor grants and leases exclusively unto Lessee the land described in attached Exhibit A (the "Land") in Tarrant County, Texas, for the sole purpose of exploring, drilling, and producing oil and gas, and to produce, save and transport oil and gas and other products manufactured from oil and gas produced from the Land, but only as to 1,000 feet below the surface to 100 feet below the base of the Barnett Shale formation or the stratigraphic equivalent thereof. This lease also covers and includes and Lessor will be compensated for any interest Lessor may or may not own in any street, alley, highway, railroad, canal, river, body of water, contiguous or adjacent to the Land, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the Land particularly described above.

1. Primary Term. This Lease is for a term of three (3) years from this date (called "Primary Term") and so long thereafter as oil or gas is produced from the Land or land pooled therewith in paying quantities.

2. Minerals Covered. This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore. All other substances and minerals (including potable water) are excepted from this Lease and reserved to Lessor.

3. Royalty.

(a) As royalties, Lessee agrees:

(1) To pay to Lessor, on oil, gas, and other liquid hydrocarbons produced and saved from the Land, 25.5% (the "Royalty Fraction") of the market value at the point of sale of such oil, gas, and other liquid hydrocarbons or at Lessor's option, which may be exercised from time to time, the Royalty Fraction of all oil, gas, and other liquid hydrocarbons produced and saved from the Land shall be delivered free of expense or cost or expense to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected.

(2) To pay to Lessor:

(i) The Royalty Fraction of all oil (including distillate or condensate and other liquid hydrocarbons) produced and saved from the Land, the same to be delivered at the well or to the credit of Lessor into the pipeline to which the well or wells may be connected.

(ii) The Royalty Fraction of the gross proceeds received by Lessee at the point of delivery or first sale of all gas, including casinghead gas or other gaseous substances, produced from the Land.

(iii) The Royalty Fraction of the gross proceeds of all plant products (including residue gas), free of any processing cost, where gas is processed in a plant on or off the Land by Lessee or any affiliated person or entity, and if processed, but not by Lessee or an affiliated person or entity, the Royalty Fraction of that part of the gross proceeds, as used herein, shall mean the cash value amount paid to Lessee by gas purchaser, received by Lessee for the processed gas and products therefrom that are allocable to the production from the Land.

(iv) On gas produced from the Land and sold by Lessee or used off the Land and to which the preceding subparagraphs (ii) and (iii) do not apply, the Royalty Fraction of the market value at the point of sale, use or other disposition.

(v) On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the market value of the gas at the inlet to the processing plant, or the Royalty Fraction of the market value of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

(vi) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the market value proceeds at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the gross proceeds of all residue gas at the point of sale, use, or other disposition.

(b) The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition of the oil and/or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil and/or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, marketing, or remediation, then the reimbursement or the deductions will be added to the total proceeds received by Lessee. Royalty will be payable on oil and gas produced from the Land and consumed by Lessee on the Land for compression, dehydration, fuel, or other use.

It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this Lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form. Further, in no event shall Lessor receive a price that is less than the price received by Lessee from an arms-length contract with a purchaser that is not an affiliate of Lessee. It is the specific intent of the parties to this Lease that this provision is to be treated as enforceable as written and is not to be deemed "surplusage" under the principals set forth in *Heritage Resources, Inc. v. Nations Bank*, 939 S.W.2d 118 (Tex. 1996). Notwithstanding the foregoing, if the gas produced from the Leased Premises is sold by Lessee pursuant to an arms-length contract with a purchaser which is not an affiliate of Lessee, and the contract provides for (i) net proceeds to be paid to Lessee which equal or exceed the market value of the gas at the point of delivery to such purchaser at the time such contract is entered into, and (ii) a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to such contract shall be the total proceeds received by Lessee in such sale.

(c) If gas produced from the Land or lands pooled herewith is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and the contract provides for net proceeds to be paid to Lessee that equal or exceed the market value of the gas at the point of delivery to the purchaser, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale.

(d) Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is subsequently produced, Lessor will receive only its Royalty Fraction of the market value of the volume of gas for which payment has not already been made.

(e) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than one hundred twenty (120) days after completion of the well, in the case of an oil well, or after the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this Lease shall not be affected by any provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute.

(f) As used in this Lease, "affiliate" means (i) a corporation, limited liability company, joint venture, partnership, or other entity, or any person or individual, that owns more than ten (10%) percent of the outstanding voting interest of Lessee or in which Lessee owns more than ten (10%) percent of the outstanding voting interest; or (ii) a corporation, limited liability company, joint venture, partnership, or other entity in which, together with Lessee, more than ten (10%) percent of the outstanding voting interests of both Lessee and the other corporation, limited liability company, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.

(g) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all times hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

4. Shut-in Royalty. While there is a gas well on the Land or lands pooled with the Land capable of producing in paying quantities, but gas is not being sold, at the end of the Primary Term or any time thereafter, Lessee shall pay or tender in advance an annual shut-in royalty of \$250 per net mineral acre. Payment with respect to a well will be due within ninety (90) days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date. Shut-in royalty payments will be considered mailed or delivered to the Lessor when deposited with the US Post Office at the Lessor's last known address. Lessee may exercise its right to make shut-in royalty payments as provided for herein from time to time;

however, this Lease may be maintained by such shut-in payments only if Lessee is exercising reasonable, bona fide diligence and best efforts in attempting to produce, market and sell gas hereunder. Notwithstanding anything herein to the contrary, this Lease shall not be maintained by shut-in royalty payments for periods totaling more than twelve (12) consecutive months or three (3) years in the aggregate.

5. Continuous Development.

(a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land or lands pooled herewith, but Lessee has commenced the drilling of a well on the Land or lands pooled herewith, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with due diligence with no cessation of more than ninety (90) days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, fracing or refracing, or repairing of a well in search for or in the endeavor to obtain production of oil or gas. Further, the term "production" in this Lease means production in paying quantities (meaning that amount of production that would cause a prudent operator to continue to operate a well for the purpose of making a profit and not for mere speculation).

(b) Lessee agrees to use commercially best efforts to develop Land or lands pooled herewith in accordance with best oilfield practices and taking into account all geological and geophysical information known to Lessee. Each drill site should be located in such a manner as reasonably practical and possible, to facilitate the drilling of as many wells as possible from such drill site in order to minimize the number of drill sites on lands pooled herewith.

6. Pooling. Lessee shall have the right to pool all of the Land or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the Land, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed forty (40) acres plus a maximum acreage tolerance of ten (10%) percent, and for a gas well or a horizontal completion shall not exceed six-hundred forty (640) acres plus a maximum acreage tolerance of ten (10%) percent; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on twenty-four (24) hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the Land shall be treated as if it were production, drilling or reworking operations on the Land, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this Lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. Further, in making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the Land is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

The pooled unit will become effective when Lessee files in the Real Property Records of the county where the Land is located a document describing the pooled acreage and depths for the pooled unit. Lessee may at its election exercise its pooling option before or after commencing operations. Operations for drilling on or production of oil or gas from any part of a pooled unit that includes the Land covered by this Lease shall be considered as operations on or production of oil or gas from the portion of the Land included in the pooled unit. There shall be allocated to the Land included in the pooled unit that prorated portion of the oil and gas, or either of them, produced from the pooled unit that the number of mineral acres of the Land included in the unit bears to the total number of mineral acres included in the unit. Royalties shall be computed on the portion of production allocated to the Land. No part of the Land may be included in a pooled unit unless all of the Land is included in said pooled unit, without Lessor's consent. Lessee agrees to use its best efforts to unitize all of the Land in a production or pooling unit.

7. Offset Wells. For purposes of this Lease, an "offsetting well" is a well that is producing oil or gas from adjacent or nearby land not pooled with the Land and is draining the Land. If an offsetting well is completed and the Land is not in a unit with ongoing operations or production, Lessee must, as would a reasonably prudent operator under similar circumstances, within one-hundred twenty (120) days after the date of first sales from the offsetting well, commence operations for the drilling of an offset well on lands pooled herewith and must diligently pursue those operations to the horizon in which the offsetting well is producing. A well producing from a distance less than three hundred and thirty (330) feet of the Land or lands pooled herewith will be conclusively presumed to be draining the Land.

8. NO SURFACE OPERATIONS. NOTWITHSTANDING ANY LANGUAGE CONTAINED HEREIN TO THE CONTRARY, NO SURFACE RIGHTS ARE BEING GRANTED UNDER THIS LEASE, AND LESSEE HEREBY SHALL NOT HAVE ANY RIGHTS TO USE THE SURFACE OF THE LEASED PREMISES. ACCORDINGLY, LESSEE SHALL NOT (I) CONDUCT ANY SURFACE OPERATIONS WHATSOEVER UPON THE LAND, (II) PLACE ANY PERSONAL PROPERTY, FIXTURES OR EQUIPMENT UPON THE LAND, OR (III) ENTER UPON THE LAND FOR ANY REASON OR FOR ANY AMOUNT OF TIME; HOWEVER, THIS LIMITATION SHALL NOT AFFECT THE RIGHT OF LESSEE OR ITS SUCCESSORS AND ASSIGNS TO UTILIZE THE SUBSURFACE OF THE LAND OR ENGAGE IN DIRECTIONAL OR HORIZONTAL DRILLING ACTIVITY WHICH COMES UNDER THE LAND AND/OR FROM POOLING IN ACCORDANCE WITH THIS LEASE, AS LONG AS SAID DRILLING ACTIVITY IS AT A DEPTH SO AS TO NOT INTERFERE WITH OR IN ANY WAY AFFECT THE PRESENT OR FUTURE USE OF THE SURFACE OF THE LAND FOR RESIDENTIAL OR ANY OTHER USE, AND IN NO EVENT MAY THE MINING OR DRILLING ACTIVITY PENETRATE THE LAND AT A DEPTH OF LESS THAN 1,000 FEET BELOW THE SURFACE, UNLESS WRITTEN CONSENT IS OBTAINED FROM LESSOR. FURTHER, LESSEE WILL MEET ALL CITY ORDINANCES IN THE DRILLING OF WELLS FROM SURFACE LOCATIONS THAT OFFSET THE LAND, BUT IN NO EVENT SHALL A WELL BE LOCATED LESS THAN 600 FEET FROM THE LAND WITHOUT LESSOR'S WRITTEN CONSENT, SAVE AND EXCEPT FOR WELLS DRILLED FROM RICHARD CARLISLE'S TRACT, BEING LOCATED AT 1605 WILMA LANE (BEING PART OF THE SIMEON MOORE SURVEY, A-1057), AND THE RANDOL MILL GREEN OAKS TRACT BEING LOCATED AT 2798 NW GREEN OAKS BOULAVARD (BEING LOT 2 OF THE J. SMITH ADDITION, CITY OF ARLINGTON). THIS PROVISION SHALL SURVIVE TERMINATION OF THE LEASE.

9. Assignments. The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. Lessee shall notify Lessor in writing of any assignment or sublease of this Lease with the exception of assignments being made to officers, directors, subsidiaries of Lessee, Titan Operating, LLC, Titan Natural Gas Partners LLC. and/or Vantage Energy. Lessee's assignees and sublessees of an interest in this Lease shall be joint and severally liable for all of Lessee's obligations under this Lease.

10. Force Majeure. Should Lessee be wholly prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money that has accrued and was due prior to the Force Majeure event), from conducting drilling or reworking operations on lands pooled with the Land, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is wholly prevented from conducting drilling or reworking operations on or from producing oil or gas from lands pooled with the Land, but in no event for more than for two (2) years in the aggregate; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, riot, war, strike, insurrection, any federal or state law, or any rule or regulation of governmental authority, or other similar cause (other than financial reasons) which is beyond Lessee's control, BUT NOT any lawsuits or legal issues, or Lessee's failure to obtain a necessary permit for its operations from a local, state or federal governing body, or the lack of a suitable market or price for the gas produced from the Land or lands pooled herewith.. Before the provisions of this paragraph may be relied upon by Lessee, Lessee must first furnish written notice to Lessor, within a reasonable time after the first day of the provisions hereof are relied upon, of such event, giving the beginning date thereof; and, within a reasonable time after such event ceases, notify Lessor of the resumption of activities, and Lessee shall be obligated to seek exceptions from any order, rule, regulation of governmental authority if the facts would raise grounds for seeking exceptions. This paragraph is in all things subject to the limitations of time during which this Lease may be continued in force by the payment of shut-in gas royalties. Further, Lessee shall use due diligence in seeking to resolve and alleviate the Force Majeure condition or situation.

11. No Warranties. Lessor makes no warranty of any kind, either express or implied, with respect to title to the Land or the minerals subject to this Lease. However, if Lessor owns an interest in the Land or the minerals subject to this Lease less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land and the minerals subject to this Lease, and Lessee assumes all risk of title failures, and in connection therewith Lessee shall have no recourse against Lessor, including no right to a refund of the bonus and royalties paid for or under this Lease. Further, in the event Lessor does not own all of the minerals subject to this Lease, Lessee agrees that it will not conduct operations on the surface of the Land. This provision shall survive termination of the Lease.

12. Notices. All notices will be deemed given and reports will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown above. Either party may designate a new address by written notice to the other party.

13. Attorney's Fees. In the event that Lessor or Lessee is required to employ legal counsel for the enforcement of any provision of this Lease and receives a final unappealable judgment, the prevailing party will be entitled to recover from the other party the reasonable attorney's fees and expenses incurred by said party.

14. Insurance. At all times while this Lease is in force, Lessee shall acquire and maintain appropriate insurance covering all of its activities and operations hereunder, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include at least coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation, including those set forth below:

(a) To protect Lessor against liability, loss or expense arising from damage to property or injury to any person arising out of, in connection with or resulting from the exercise of its rights and privileges under this Lease, Lessee agrees during the term of the Lease to carry, at its own expense, with insurance companies authorized to do business in the State of Texas, the following insurance coverages. It is expressly understood and agreed that all such insurance required of Lessee by this Paragraph shall be primary to and non-contributory with other insurance issued directly to Lessor.

- (1) Workers' Compensation and Employers Liability Insurance with limits of \$500,000 to cover and include any liability (up to the maximum recoverable under applicable statutes) under or for the workers' compensation laws of the State of Texas, including provisions that claims in rem will be treated as in personam;
- (2) Automobile Liability covering all owned, non-owned and leased vehicles with a combined single limit of \$1,000,000 for Bodily Injury and Property Damage;
- (3) Commercial General Liability Insurance, including Contractual Liability, Products-Completed Operations Liability and Personal and Advertisement Liability, with a combined single limit of one million dollars (\$1,000,000);
- (4) Umbrella Liability Insurance with a limit of ten million dollars (\$10,000,000) per occurrence, which applies excess of all underlying coverages required in Paragraphs (a)(1), (2) and (3).
- (5) Pollution and Clean-Up Liability Insurance with a limit of ten million dollars (\$10,000,000); and
- (6) Well Control Insurance with a limit of ten million dollars (\$10,000,000).

(b) Upon request, Lessee shall furnish Lessor with Lessee's certificates of insurance evidencing the above-described coverages, which certificate(s) must show the names of all of Lessee's insurance companies, all policy numbers, effective and expiration dates of all insurance policies and the required limits.

(c) To the extent that any of the insurance requirements of this Section are not evidenced by Lessee's certificates of insurance, Lessee represents and warrants that the requirements are nonetheless fulfilled by the applicable policies of insurance.

(d) All insurance requirements may be met by a combination of self-insurance, primary and excess policies. Lessee may self insure for up to \$ 5,000,000 with respect to the insurance coverage required of Lessee, provided that the tangible net worth of Lessee is, at all times while self-insurance is in effect, in excess of \$ 1,000,000,000.

15. Indemnity. LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, EMPLOYEES, TRUSTEES, VOLUNTEERS, AGENTS, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE, INCLUDING WITHOUT LIMITATION THOSE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, WHETHER THE CLAIMS ARE BROUGHT OR PURSUED AS CLAIMS OF NEGLIGENCE, BREACH OF CONTRACT, NUISANCE, TORT, STRICT LIABILITY, OR OTHERWISE, AND INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY OR RELATED TO LESSEE'S ACTIVITIES AND OPERATIONS ON THE LAND, OR CLAIMS BROUGHT OR ASSERTED BY PERSONS OR ENTITIES IN CONNECTION WITH LESSEE'S OPERATIONS AND ACTIVITIES, OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND, OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. ADDITIONALLY, UPON RECEIVING ANY NOTICE REGARDING ANY ENVIRONMENTAL, POLLUTION OR CONTAMINATION PROBLEM OR VIOLATION OF ANY LAW, RULE OR REGULATION, LESSEE WILL FORWARD A COPY OF SAME TO LESSOR BY CERTIFIED MAIL WITHIN THIRTY (30) DAYS. AS USED IN THIS PARAGRAPH, THE TERM "LAND" INCLUDES THE LAND COVERED BY THIS LEASE OR ANY LANDS POOLED THEREWITH. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

16. Payment of Royalties. The rights of Lessor under this Lease shall be in addition to, and not in lieu of, all rights Lessor may have as to payment of royalty under Texas law, including, without limitation, V.T.C.A. NATURAL RESOURCES CODE §§ 91.401 through 91.405.

17. Inspection of Lessee's Records. Upon written request and at Lessor's sole cost and expense, a designated representative from Randall Mill shall have the right to inspect all lease and title records and well records (including without limitation all drilling reports, electrical logs, core samples and formation test results) of Lessee relating to this Lease, operations conducted on or in connection with this Lease or lands pooled herein, and the sale and marketing of production from the Lease, including contracts for the sale of any production from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing. Such inspection shall be limited to an annual basis only and during Lessee's normal business hours.

18. Implied Covenants. Nothing in this Lease negates the implied covenants imposed upon Lessee under applicable law.

19. Waiver of City Ordinances. By entering into this Lease, Lessor is expressly not and does not waive or release any rights Lessor has or may have in connection with any application or submission by Lessee for a variance or change in any of the City's ordinances, rules, or regulations.

20. Division Orders. If Lessee shall require the execution of a division order for payment of royalty payable under this lease, then such form shall be in compliance with Section 91.402(d), of the Texas Natural Resources Code as amended from time to time. Transfer orders, if required, shall be solely for the purpose of confirming the interest transferred by Lessor. It is agreed that neither the Lease nor any of its terms or provisions shall be altered, amended, extended or ratified by any division order or transfer order executed by Lessor, Lessor's successor's, agents or assigns. Lessor's royalty payment shall include such information as the mcf and mmbtu produced, and the volume and location of all fuel or volume reductions to Lessor's share, as is standard in the industry. Failure to do so may be considered bad faith under this business endeavor.

21. Compliance With Governing Law. Lessee will conduct all operations under this Lease and/or on lands pooled herewith in compliance with the current and future rules of the Railroad Commission of Texas, and all federal, state and local laws, rules, regulations, and ordinances, including without limitation all environmental laws, rules, regulations and ordinances.

22. Excess Royalty Payments. Any payment of royalty or Shut-in Royalty hereunder paid to Lessor in excess of the amount actually due to the Lessor shall nevertheless become the property of Lessor if Lessee does not make written request to Lessor for reimbursement within one (1) year from the date that Lessor received the erroneous payment, it being agreed and expressly understood between the parties hereto that Lessor is not the collecting agent for any other royalty owner under the Land, and a determination of the name, interest ownership and whereabouts of any person entitled to any payment whatsoever under the terms hereof shall be the sole responsibility of Lessee. It is further expressly agreed and understood that this provision shall in no way diminish the obligation of Lessee to make full and punctual payments of all amounts due to Lessor or to any other person under the terms and provisions of this Lease. If Lessee provides proper and timely notice to Lessor of any overpayments made to Lessor, such overpayments shall only be made up by Lessee against future royalty payments to Lessee not to exceed more than twenty five percent (25%) of any monthly royalty payment due Lessor. Should such monthly royalty payments cease under this Lease prior to Lessee recouping any such overpayments out of a portion of Lessor's monthly royalty, Lessee shall absorb such loss in its entirety without any liability to or reimbursement from Lessor.

23. Most Favored Nation Status. If within six (6) months from the date of this Lease, Lessee (or its assigns or successor) enters into an oil and gas lease (the "Other Lease") covering lands located in the confines and area of Neighbors of Randol Mill Park and Park East (collectively referred to as RANDOL MILL), as shown on the plat attached hereto as Exhibit B, providing for a per acre lease bonus or royalty in an amount greater than is provided for in this Lease, then Lessee shall pay to Lessor, as additional bonus for this Lease, an amount equal to the difference, on a per-acre basis, between the amount of lease bonus paid Lessor for this Lease and the greater amount paid per acre for the Other Lease, and amend this Lease to provide for Lessor to be paid the greater royalty interest provided for in the Other Lease. For the purposes of this provision, "bonus" shall be deemed to include any cash consideration paid to a lessor, however characterized, or any benefit provided that lessor by the lessee, and "royalty" shall be deemed to include any and all interests in production, however called or characterized in the Other Lease.

24. Depth Severance. At the end of the primary term of this Lease, or any extension thereof, this Lease shall terminate as to all depths lying one hundred feet (100') below the stratigraphic equivalent of the deepest formation from which any well commenced in the primary term or any extension thereof is drilled and completed as a well capable of commercial production in paying quantities on any lands pooled with the Land.

25. Damages. Should Lessor or tenants on the Land suffer any loss or damage as a result of the operations of Lessee under the terms of this Lease, Lessee agrees to pay Lessor or tenants the actual amount of their loss or damage.

26. Release. In the event this Lease terminates for any reason as to all or any part of the Land, Lessee shall, within sixty (60) days thereafter, deliver to Lessor a recordable release covering all of the Land or that portion of the Land as to which this Lease terminated.

27. Subordination/Non-disturbance. Notwithstanding anything contained herein to the contrary, neither Lessee nor Lessee's assigns shall ever require a subordination, partial release of lien, release of lien, consent or other documentation from any lender of Lessor that has a lien on said land, as a condition to Lessor receiving the agreed signing bonus or any subsequent royalty payment, unless the lienholder has declared the Lessor to be in default on the obligation secured by such lien. If a subordination or non-disturbance agreement is needed from any lienholder for Lessee's operations hereunder, Lessee will pay all costs and expenses related thereto.

28. Environmental and Operational Provisions.

(a) **General Urban Constraints.** Lessee's operations are being conducted in or near an urban residential area. Therefore, with regard to any well drilled within 1,000 feet of said Land, Lessee shall:

(1) Equip any and all compressors, machinery and drilling equipment with the latest technology in noise suppression, muffling devices and pollution constraints, including for the suppression of dust, vibration, noxious odors, airborne pollutants and harmful fumes;

- (2) Use low-sulfur diesel fuel for all diesel engines or other comparable fuel;
- (3) Employ and use a Drilling Rig that minimizes noise or other technologically advanced drilling rig;
- (4) Maintain noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells, and any production therefrom, within the requirements of the current and future City ordinances and to a reasonable minimum, taking into consideration the equipment and technology used in best practices in the local oil and gas industry, and the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites;
- (5) Any exhaust from an internal combustion engine or compressor, stationary or mounted on wheels, must be controlled through the utilization of a "hospital" grade muffler or equivalent control device;
- (6) All workover operations shall be restricted to daytime hours. "Workover operations" shall mean work performed in a well after its completion in an effort to secure production where there has been none, restore production that has ceased or increase production;
- (7) A closed loop mud system shall be required;
- (8) The location of any compression equipment on the drill site shall be limited to such equipment necessary to transport or produce gas produced from Lessor's Land or lands pooled therewith. Any compression equipment shall be installed to meet ambient noise levels at the pad boundary. This lease does not convey any rights to Lessee to install or operate any compression equipment for handling third party gas within one mile of said Lands;
- (9) Watering, wetting or other methods or materials must be used to control dust on any private access roads;
- (10) Traffic and Road Usage. Lessee shall not travel upon or use in any way or manner (including the parking of any vehicles) any of the inner-residential streets of Lessor's subdivision or neighborhood containing said Land for any of Lessee's operations. No vehicle of any size which transports inflammatory or explosive cargo may enter into an inner-residential street, subdivision or neighborhood at any time. Lessee shall not use any property in Lessor's subdivision or neighborhood for the dumping of trash or other waste. Lessee shall keep all neighborhood streets reasonably free of debris from Lessee's operations;
- (11) Groundwater Protection. Any oil or gas wells drilled by Lessee shall be drilled in compliance with the surface casing requirements imposed by the State of Texas for groundwater protection and Lessee shall install such surface casing in the required manner in order to insure the protection of all fresh water bearing formations under the Land. Further, Lessee agrees to conduct water quality testing if existing water wells in or near the drill site are accessible for testing, as follows: (i) an initial baseline water quality test to be conducted no more than sixty (60) days before Lessee commences actual drilling for the first well from Lessee's drill site located on lands to be pooled with the Land, and (ii) re-testing one year following completion of the first well, and (iii) repeat testing every three years thereafter, as long as this Lease remains in effect. The testing shall be done by a qualified professional water testing firm and will include, but not be limited to, testing for gas, minerals, metals, volatile organic compounds (VOC's), and semi-volatile organic compounds (SVOCs);
- (12) While drilling operations are taking place, place lighting directed on the derrick and drill site area for safety reasons, and take all reasonable precautions to the extent possible to avoid directing the lighting onto surrounding neighborhoods and properties;
- (13) Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under the Land or lands pooled therewith, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Land or lands pooled therewith any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 U.S. C. Sections 9601, et seq.) or toxic substances under any federal, state or local law or regulation ("Hazardous Materials"), except ordinary products commonly and necessarily used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR, ITS AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER OR ABOUT SAID LAND OR LANDS POOLED THEREWITH DURING LESSEE'S OCCUPANCY OR CONTROL OF SAME. LESSEE SHALL CLEAN UP, REMOVE, REMEDY, AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT SAID LAND OR LANDS POOLED THEREWITH DURING LESSEE'S OCCUPANCY OF SAME IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR**

WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT SAID LAND OR LANDS POOLED THEREWITH. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION FOR ANY REASON, OF THIS LEASE.

(b) In the event Lessor has complaints regarding non-compliance to provisions in this Section 29, such complaints may be directed to a RANDOL MILL representative for forwarding to Lessee or may contact Lessee directly. Lessee must make its best effort to resolve the issue upon notification.

29. Remedial Action. Any remedial action or activities required of Lessee under this Lease shall be addressed and the remedial work commenced within a reasonable amount of time under the circumstances, dependent on the nature of the remedial work, and must be diligently pursued until fully performed.

30. HECI v. Neal Notice. To the extent such knowledge and information is available and material to Lessee so that it would act on its own behalf, Lessee agrees to give notice to Lessor of the need, if any, to bring a claim or lawsuit against a third-party who is draining, damaging, overproducing, unlawfully depleting, or otherwise damaging any reservoir underlying the Land, or lands pooled therewith, in a timely fashion so that Lessor may assert Lessor's own claim or lawsuit in a court of appropriate jurisdiction, or before a regulatory agency. Lessee shall give such notice to Lessor within ninety (90) days of the date that Lessee becomes aware of the need to assert such claim or lawsuit. In this regard, Lessee acknowledges that Lessee is in a superior position to Lessor with respect to information regarding the geology, operations, production and sale of oil and gas and constituent hydrocarbons from the Land and lands adjacent, contiguous or in the vicinity of the Land and particularly with respect to reservoirs not on the Land which may be productive of oil, gas or other hydrocarbons and which underlay the Land. Nothing herein shall preclude Lessor from bringing Lessor's own action but if Lessor does not receive the notice from Lessee as set forth herein, at Lessor's option, Lessee shall always be deemed to be representing Lessor's royalty share and shall pay same to the Lessor from recoveries or payments to Lessor by virtue or on account of the foregoing.

31. Headings. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease.

32. Binding Effect. This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

33. Jurisdiction and Venue. Jurisdiction and venue for any legal dispute between Lessor and Lessee related in any way to this Lease shall be in the court(s) of competent jurisdiction located in Tarrant County, Texas.

34. Encumbrances. This Lease is subject to all licenses, permits, easements, rights of way, surface leases, restrictive covenants, and other contracts of Lessor, or its predecessors in interest, affecting the Land.

35. Release and Discharge. Lessor acknowledges that the terms of the Lease, this addendum, the amount of the royalty and bonus paid hereunder, and all other terms negotiated with Lessee (herein the "Negotiated Terms") with respect to this Lease, were obtained as a result of negotiations between Lessee and the group known as RANDOL MILL, which consists of a committee of unpaid volunteers. In consideration of the efforts spent by RANDOL MILL, the committee members, other volunteers and attorneys in negotiating and obtaining the Negotiated Terms on behalf of Lessor, Lessor and its respective agents, spouses, co-owners, predecessors, parents, subsidiaries, affiliated corporations, or other affiliated entities, successors, partners, principals, assigns, attorneys, servants, agents, employees, heirs, consultants and other representatives, does hereby release and forever discharge RANDOL MILL, the committee members, and any volunteers representing RANDOL MILL, from any and all claims, demands, obligations, losses, causes of action, costs, expenses, attorney's fees, and liabilities of any nature whatsoever, whether based on contract, tort, statutory or other legal or equitable theory of recovery, whether known or unknown, past, present, or future, which Lessor has, has had, or claims to have against the individual committee members, volunteers, or RANDOL MILL which relate to, arise from, or are in any manner connected to (i) the Negotiated Terms, (ii) the negotiation of the Negotiated Terms, (iii), the inclusion and/or omission of any terms within the Negotiated Terms, (iv) any activity, act or omission in any way related to the Negotiated Terms or the negotiation of the Negotiated Terms or (v) any and all representations made prior, during, and subsequent to Lessor's execution of this Lease and Amendment.

36. Free Will. Be it known that Lessor agrees to sign this agreement of its own free will and Lessor was in no way coerced to sign said Lease by Lessee, RANDOL MILL, the committee members, volunteers and/or attorneys associated with RANDOL MILL, or any agent thereof. All proceeds from the Lease fully remain the property of the Lessor.

37. Lessor Acknowledgement. RANDOL MILL is an all volunteer group of residents and local property owners in the vicinity of the Land. The group's purpose is to unite in the hopes of negotiating the best terms possible with respect to an oil and gas lease with Lessee. By signing this Lease, Lessor acknowledges and stipulates that Lessor was not obligated to sign this Lease based upon the terms negotiated by RANDOL MILL with Lessee and that Lessor had the right to negotiate its own terms and with any company prior to signing this Lease. Additionally, Lessor acknowledges that it is Lessor's obligation to investigate this Lease, all negotiated terms, to take such action as necessary to make an informed decision prior to signing this Lease, and that the decision made by Lessor in signing this Lease is made after fully researching this matter independent of any other information provided by RANDOL MILL and/or its committee members, representatives and/or attorneys. Lessor agrees and acknowledges that it is ultimately Lessor's responsibility to (a) determine if Lessor wants to negotiate with Lessee, (b) fully investigate the issues and facts related to signing an oil and gas lease, and (c) determine what terms are acceptable to Lessor to be included in this Lease.

38. Memorandum of Oil and Gas Lease. Contemporaneously with the execution of this Lease, Lessor and Lessee have executed a Memorandum of Oil and Gas Lease, and Lessor and Lessee agree that such Memorandum of Oil and Gas Lease, which makes reference to this Lease, will be recorded in the appropriate records of the counties in which said Land is located in lieu of the recording of this Lease in its entirety. The recording of said Memorandum of Oil and Gas Lease shall be binding upon Lessor and Lessee, and their respective heirs, successors, legal representatives and assigns, the same as if this Lease was filed of record in its complete text.

39. Option to Extend. Lessee is hereby given the option, to be exercised prior to the date on which this lease or any portion thereof would expire in accordance with its terms and provisions of extending this lease for a period of two (2) years as to all of the acreage then held hereunder which would expire unless so extended. The only action required by Lessee to exercise such option is to deliver payment to Lessor, such payment to be post marked by US Mail on or before the expiration of the primary term of this Lease to Lessor's last known mailing address and/or such parties entitled under any change of ownership according to Lessee's records, an additional consideration equal to the original cash bonus paid to Lessor as a bonus for signing the Lease at such time of extension.

41. Waiver. No waiver of any of the provisions of this lease shall be deemed or constitute a waiver of any other provision of this lease, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Likewise, the failure of Lessors to enforce any provision of this lease shall not be deemed nor shall constitute a waiver of the right of Lessors to enforce such provision.

42. Default. Should Lessee, or any of its assigns or successors, at any time fail to comply with all or any of its obligations hereunder, Lessor shall have the right to terminate this Lease subject to giving the Lessee or its assigns or successors a thirty (30) day written notice to cure such default.

Executed on the date first written above.

LESSOR: Lance E. Davis

Name: Lance E. Davis
(Individually and in all Capacities for the above described Land)

Title: Lessor

LESSOR: Crystal R. Davis

Name: Crystal R. Davis
(Individually and in all Capacities for the above described Land)

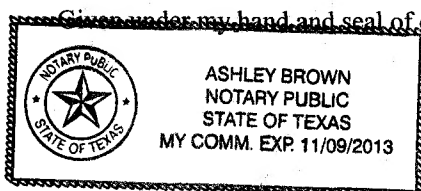
Title: Lessor

ACKNOWLEDGEMENTS

STATE OF TEXAS

COUNTY OF TARRANT

Before me, the undersigned authority, on this day personally appeared Lance E. Davis and known to me to be the person whose name is subscribed to the forgoing instrument, and acknowledged to me that he/she executed the same for the purpose and consideration therein expressed and in the capacity therein stated.



My commission expires: 11/9/13

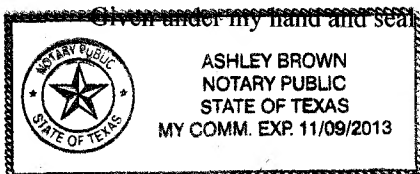
Ashley Brown
Notary Public, State of Texas

Ashley Brown
Notary's printed name

STATE OF TEXAS

COUNTY OF TARRANT

Before me, the undersigned authority, on this day personally appeared Crystal R. Davis, known to me to be the person whose name is subscribed to the forgoing instrument, and acknowledged to me that he/she executed the same and for the purpose and consideration therein expressed and in the capacity therein stated.



My commission expires: 11/9/13

Ashley Brown
Notary Public, State of Texas

Ashley Brown
Notary's printed name

RETURN TO:
Axia Land Services, LLC
500 E. Border Street, Suite 640
Arlington, Texas 76010

MARY LOUISE GARCIA

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

AXIA LAND SERVICES
500 E BORDER 640
ARLINGTON, TX 76010

Submitter: AXIA LAND SERVICES LLC

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 3/30/2011 8:37 AM

Instrument #: D211072990

LSE

10

PGS

\$48.00

By: _____

Mary Louise Garcia

D211072990

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: DBWARD